

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 110
 SPONSOR: Senator Bennett
 SUBJECT: Water & Wastewater Systems/Rates
 DATE: December 15, 2003 REVISED: 01/21/04 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Caldwell</u>	<u>Caldwell</u>	<u>CU</u>	<u>Favorable</u>
2.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Fav/1 amendment</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill authorizes the Florida Public Service Commission (PSC or commission) to approve rates allowing utilities to recover the full costs of alternative water supply facilities and increases the limitation on gross annual revenues under which a water or wastewater utility may qualify for staff assistance in a rate case.

This bill substantially amends sections 367.081 and 367.0814 of the Florida Statutes.

II. Present Situation:

The PSC regulates the rates and services of private (or investor-owned) water and wastewater utilities in Florida that are not regulated by the counties in which the utility is situated. Under s. 367.081, F.S., the commission is required to set rates that are just, reasonable, compensatory and not unfairly discriminatory. In setting the rates, the commission is required to consider certain costs of providing such service. The commission is given the discretion to include other costs not listed in the statutes.

Section 373.1961(2)(k), F.S., provides for the development and use of alternative water supply systems. The PSC is required to allow entities under its jurisdiction constructing alternative water supply facilities to recover their full, prudently incurred cost of such facilities through their rate structure.

Under s. 367.0814, F.S., utilities whose gross annual revenues are \$150,000 or less may request and obtain staff assistance for the purpose of changing its rates and charges. Utilities of this size are generally considered “mom and pop” companies.

The National Association of Regulatory Utility Commissioners (NARUC) prescribes how utilities should keep its books through uniform systems of accounts. NARUC designates three classes of utilities based upon gross annual revenues and requires the larger companies to keep more detailed books than smaller companies. Class C utilities under NARUC are those that earn \$200,000 or less gross revenues and are allowed to keep less detailed records.

III. Effect of Proposed Changes:

The bill expressly provides the PSC authority under chapter 367 to allow recovery for full, prudently incurred costs of alternative water-supply facilities by cross referencing s. 373.1961(2)(k), F.S.

This bill increases the maximum level of gross annual revenues to \$200,000 from \$150,000 where utilities may request and obtain commission staff assistance for the purpose of changing its rates and charges. This change comports with the NARUC's system of accounts. An estimated 13 additional utilities will qualify under this increased threshold than currently qualify today.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

An additional 13 more utilities will qualify under the maximum revenue level increase than currently qualify. These companies will realize a cost avoidance.

C. Government Sector Impact:

The commission does not expect this change to significantly increase its workload assuming no decrease in current staff levels. This change can be accommodated within the current resources of the commission. Moreover, it is unlikely that all 13 companies would apply at once, therefore, the workload can be staggered.

VI. Technical Deficiencies:

Section 367.0184, F.S., authorizes the PSC to “establish” rules on staff assistance in rate filings. The preferred term for this action is “adopt.” A corrective amendment is suggested.

VII. Related Issues:

The effect of the change will be to raise the threshold to a total amount of \$400,000 since the PSC stacks the limits when a utility provides both water and wastewater services.

VIII. Amendments:

#1 by Governmental Oversight and Productivity:

Provides that the PSC may provide for full cost recovery, rather than shall provide in the original, filed bill.

This Senate staff analysis does not reflect the intent or official position of the bill’s sponsor or the Florida Senate.
